



June , 2014

Mr. Barry F. Mardock, Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

RE: Standards of Conduct and Referral of Known or Suspected Criminal Violations; Standards of Conduct – Proposed Rule RIN 3052-AC44

Dear Mr. Mardock:

MidAtlantic Farm Credit, ACA (MAFC) appreciates the opportunity to submit comments to the Farm Credit Administration (FCA) in response to the notice published in the *Federal Register* on February 20, 2014, requesting comments on proposed amendments to the regulations on Standards of Conduct (SOC) and Referral of Known or Suspected Criminal Violations (Proposed Regulations). MAFC firmly believes that the maintenance of high standards of honesty, integrity and impartiality are critical in the conduct of our business and generally support FCA in its efforts in this regard. However, we are concerned that some of the Proposed Regulations are too burdensome or difficult to enforce and/or implement.

First, we would like to note that other financial institutions including commercial banks are not subject to requirements equivalent to the Proposed Regulations. Even the existing regulations impose requirements beyond the requirements of our competitors. We believe that the regulations should be focused on the primary issues of: 1) use of insider information for personal gain, and 2) using an insider's position to obtain special advantage from others.

We all understand that the boards of directors for Farm Credit associations such as MAFC are primarily composed of farmers that operate in the agricultural communities that we serve. As such, in the ordinary course of their business, many directors will have relationships with others who may transact business with the association on whose board they serve. Any regulations that impose undue burdens on directors' business relationships, conducted in the ordinary course of business, limit the attractiveness of serving as a director. This has the unfortunate potential of ultimately limiting the effectiveness of our institutions and the cooperative principles upon which we operate. While we understand that all directors owe a fiduciary duty to their respective institution and such duty may from time to time limit the permitted activities of any director during the term of his or her service, the Proposed Regulations impose burdens beyond that which is necessary or advisable.

Specifically, we note that the proposed requirements are too strict. It is unreasonable to expect that directors would know whether a party with whom they are conducting transactions is a borrower. As the Proposed Regulations would permit, the ability of the board to establish de minimis and materiality standards would provide some relief. However, the need for prior approval of any transactions is unreasonably harsh. Directors would be subjected to



burdensome reporting and approval requirements which may unreasonably delay ordinary course business operations and ultimately dissuade qualified director candidates from serving on System boards.

In regard to the de minimis and materiality standards, the regulation is vague leaving institutions open for criticism by examiners. Given our previously described position on the prior approval of transactions, we would likely set out de minimis at a fairly high amount. We are concerned that the Proposed Regulations leave MAFC too exposed to the vagaries inherent in examiner judgment.

In regard to the sections concerning "agents", it is not reasonable to expect that System institutions will be able to enforce and track the activities of many who may be deemed an agent by the Proposed Regulations. System institutions are highly unlikely to be able to force large corporate types of entities to sign a Code of Ethics, submit the required reporting and take on the resulting increased contractual liability at all, but in any event without significant increased expense to the System institution. The likely result of the Proposed Regulations will be to limit the entities which will be willing to provide services to System institutions, to the detriment of customer service, portfolio credit quality and overall performance.

In addition, §612.2180(d) would be administratively difficult to enforce or track. The Proposed Regulations generally restrict agents from acquiring property that was owned by the related System institution as a result of foreclosure during the agent's employment for one year. For agents who do sporadic work for a System institution over a period of years, it is unclear what would constitute the period of employment. Moreover, while it may be possible to track direct sales to certain agents, it is administratively burdensome and often impossible to track subsequent third party sales for a period of one year.

We thank you for the opportunity to comment.

Respectfully submitted,

MidAtlantic Farm Credit, ACA

A handwritten signature in black ink, appearing to read "M. Wayne Lambertson".

M. Wayne Lambertson
Chairman of the Board of Directors

A handwritten signature in black ink, appearing to read "J. Robert Frazee".

J. Robert Frazee
President & Chief Executive Officer